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September 20, 2000

BY HAND

Magalie Roman Salas, Esquire  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, SW, Room TWB204  
Washington, D.C. 20554

Re: Notification of *Ex Parte* Oral Presentation  
In CC Docket Nos. 96-45 and 97-160

Dear Ms. Salas:

On September 19, 2000, representatives of Roseville Telephone Company ("RTC") made an oral *ex parte* presentation to staff members of the Commission's Common Carrier Bureau regarding issues in CC Dockets 96-45 and 97-160. Two copies of the written presentation distributed in that meeting are attached to this letter.

RTC's pending Petition for Reconsideration of the Commission's *Tenth Report & Order* in these dockets was discussed, as well as the possibility of other methods for remedying the concerns expressed by RTC in that petition.

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OFFICE OF THE SECRETARY

Magalie Roman Salas, Esquire  
September 20, 2000  
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Feel free to contact me if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Paul J. Feldman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Paul J. Feldman  
Counsel for Roseville Telephone Company

PJF:jpg

Enclosures

cc: Jordan Goldstein, Esquire, Office of Commissioner Ness (FCC Room 8-B115)  
Katherine Schroder, Esquire (FCC Room 5-A423)  
Katie King, Esquire (FCC Room 5-B550)  
Robert Loube, Esquire (FCC Room 5-B524)  
Paul Garnett, Esquire (FCC Room 5-B524)  
Dorothy Attwood, Esquire (FCC Room 8-B2011)  
Jack Zinman, Esquire (FCC Room 5-C433)  
JoAnn Lucanik, Esquire (FCC Room 6-C416)

# **Roseville's PFRs in Dockets 96-45 & 97-160**

- 1. Interstate Long Term Support (LTS) Should Not be Included in "Hold-Harmless" and/or "Phase-Out" Provisions of the New Federal Intrastate Support Mechanism**
  - Consistent with the Joint Board recommendation.
- 2. The Dividing Line Between "Large" and "Small" Carriers in the New Federal Mechanism Should be Changed to 200K Lines**
  - There is a natural break in the current USF mechanism at 200K lines
  - Study areas with less than 200K lines receive 6 1/2 times more support than a comparable study area with over 200K lines
  - The transitional issues faced by such areas are more like those faced by the "rural" study areas
  - Companies like Roseville with 2 wire centers and slightly over 100K lines experience significantly different economies of scale and scope than the RBOCs and GTE with hundreds of wire centers and tens of millions of lines
  - The Rural Task Force study clearly shows that for companies with relatively few wire centers the Synthesis Model is an inaccurate predictor of sufficient support

# USF Payout Rules

	Costs Above Nat'l Average	
	115%	150%
<b>Study Areas Under 200,000 Lines</b>	USF Pays	USF Pays
<b>Study Areas Over 200,000 Lines</b>	USF Pays	N/A*

\* Study areas with over 200,000 line above 160% of nationwide average cost receive support for 30% of costs over 160%. Puerto Rico is the only area where this applies.

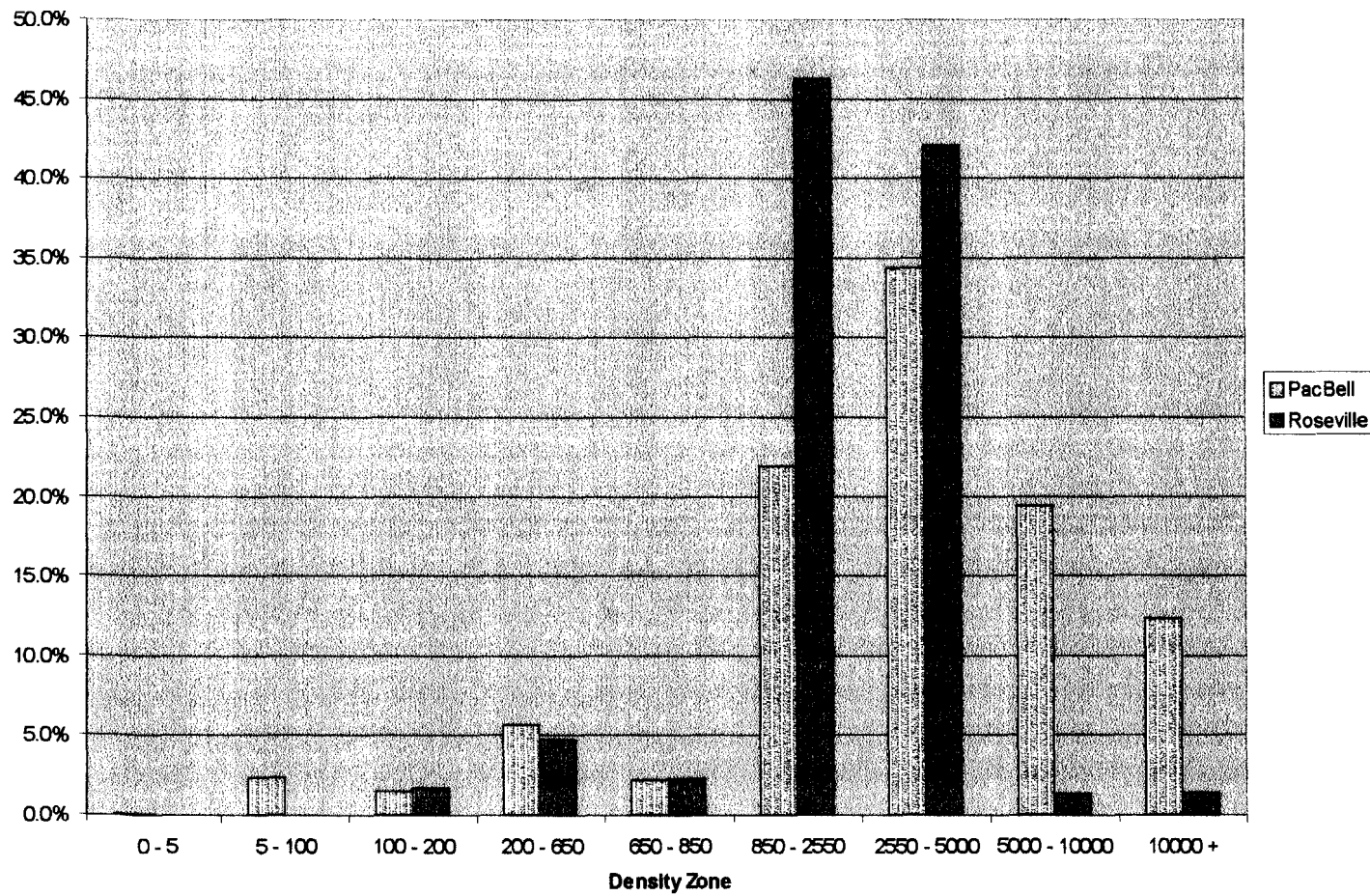
# A Tale of 3 Companies

	<b>A</b>	<b>B</b>	<b>C</b>
<b>Lines</b>	4,500,000	120,000	4,500
<b>Class</b>	Non-Rural	Non-Rural	Rural
<b>Cost/Line*</b>	\$35.00	\$35.00	\$35.00
<b>Nat'l Average*</b>	<u>\$25.00</u>	<u>\$25.00</u>	<u>\$25.00</u>
<b>Difference</b>	\$10.00	\$10.00	\$10.00
<b>USF</b>			

\*Hypothetical values for illustration purposes. All figures are \$/line/month.

# Roseville is Not Like an RBOC

Line Distribution by Density Zone



## FCC Model Investment vs. Actual

Item	Comparison of Model Results to Actuals				
	<(25%)	(5%) to (10%)	(10%) to 10%	10% to 25%	>25%
Cable & Wire Facilities	8	1	12	14	200
COE Switch Investment	142	36	20	11	25
Land	102	20	10	11	87
Buildings	56	16	25	16	121
Vehicles	138	13	24	11	36
Tools & Work Equipment	121	14	24	11	52
Furn & Office Equipment	24	3	15	14	173
General Support Inv.	92	25	25	23	67

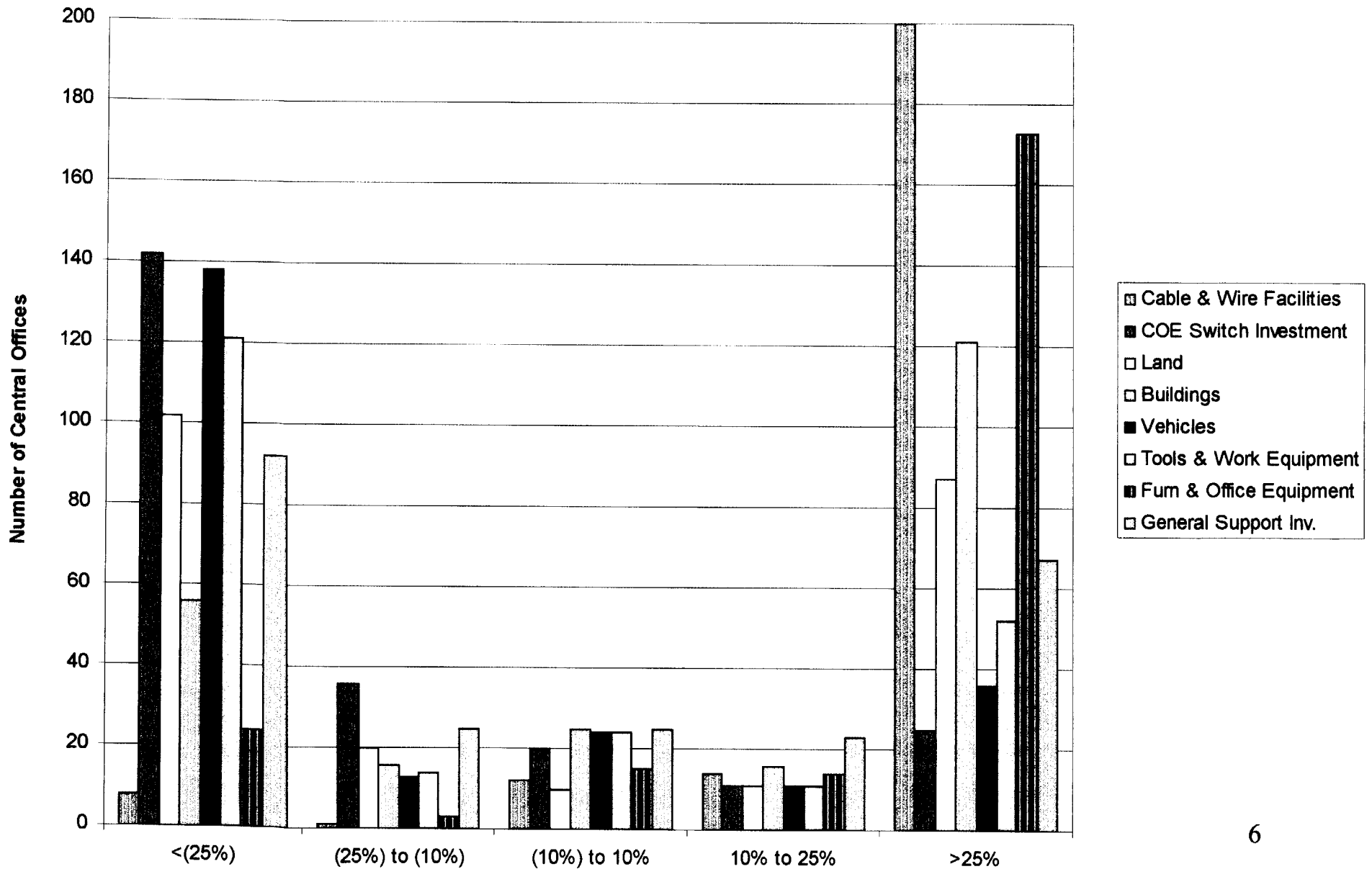
### Source of Data

- Rural Task Force special study
- Diversity of company size and location
- Comparison of 1998 actual data to Synthesis Model results by Wire Center

### Major Conclusion

- On an individual wire center basis, the Synthesis Model is not accurate enough to determine explicit support

## FCC Model Investment vs. Actual





# Observations From the Data

- **There is a wide dispersion of investment data around the model estimate**
- **A large majority of central offices are greater than 25% above or below the estimate**
- **If a LEC had only one or a very few offices, the model generated support would likely either be way too high (Win the Lottery) or too low (Go Broke)**
- **The more central offices a LEC has in its overall operations, the more likely that the model-generated support will approach sufficient levels (assuming inputs are otherwise accurate)**

# Who Would be Impacted?

## Study Areas > 200K Lines Receiving Hold-Harmless Support

Study Area Name	Loops	<u>Monthly Hold-Harmless</u>		
		USF	LTS	Total
P R T C - CENTRAL	172,480	\$12.72	\$6.33	\$19.05
GTE NORTH INC. - MO	130,892	\$4.45	\$0.00	\$4.45
ROSEVILLE TEL CO	122,593	\$1.17	\$3.18	\$4.36
GTE SOUTH INC. - AL	167,300	\$2.79	\$0.00	\$2.79
CONTEL AL DBA GTE AL	121,946	\$2.60	\$0.00	\$2.60
NORTH STATE TEL CO	126,149	\$0.00	\$1.59	\$1.59

Source: NECA 4Q2000 High-Cost Funding Report App HC1 (annualized)

# Summary of Oppositions

Party	Issue	Response
California	Roseville will use "rural" designation to avoid interconnection obligations under Section 251.	<ul style="list-style-type: none"> <li>Roseville is not seeking to be designated as a "rural" carrier.</li> <li>We are seeking a change in the break point to recognize current USF rules.</li> <li>Roseville is meeting interconnection obligations and the CPUC is in position to monitor and enforce.</li> </ul>
	Roseville is treated under the California "New Regulatory Framework" (NRF)	<ul style="list-style-type: none"> <li>Both "non-rural" and "rural" LECs are currently under the NRF.</li> </ul>
	Congress intended the "rural" designation to apply for both interconnection and universal service.	<ul style="list-style-type: none"> <li>Section 254 does not contain the words "Rural Telephone Company"</li> <li>The FCC itself recognized that it was not required to use the rural/non-rural distinction. (10<sup>th</sup> R&amp;O Paragraph 458)</li> </ul>
MCI	Roseville did not offer evidence that the cost model was incorrect.	<ul style="list-style-type: none"> <li>Roseville's PFR did not directly address the application of the cost model.</li> <li>Roseville is merely requesting a change in the break point between "small" and "large" companies for explicit support.</li> <li>The RTF study suggests that for companies with few wire centers the model is not an accurate estimator of support.</li> </ul>
	Roseville's average line density is more like a non-rural company than a rural company.	<ul style="list-style-type: none"> <li>Averages are misleading.</li> <li>Roseville does not have many lines in the highest (least costly) density zones as a typical RBOC would.</li> </ul>

# In Summary

- Roseville supports the Joint Board recommendation on LTS.
- Roseville's high-cost support characteristics (i.e., 65% USF, 2 central offices) are more like those of the "Rural" carriers than the RBOCs and GTE.
- The FCC should grant Roseville's PFR and treat "Non-Rural" study areas with less than 200K lines similar to the "Rural" study areas.